No. 13044

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

REPUBLIC PICTURES CORPORATION,

Appellant,

vs.

SECURITY-FIRST NATIONAL BANK OF LOS ANGELES,

Appellee.

APPELLANT'S OPENING BRIEF.

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APPELLANT'S OPENING BRIEF.

Opinion of the District Court.

The opinion of the District Court in the above-entitled action, per Yankwich, District Judge, is reported in *Security-First National Bank of Los Angeles v. Republic Pictures Corporation* (S. D. Cal.) 97 Fed. Supp. 360.

Statement of Jurisdiction.

The jurisdiction of the Court of Appeals to review the judgment of the District Court herein is believed to be conferred by Title 28, *United States Code,* Section 1291.

The complaint herein for declaratory relief was filed by appellee in the United States District Court for the Southern District of California, Central Division, on September 7, 1950. Answer thereto was filed by appellant on October 18, 1950. [Tr. pp. 3-4.] It affirmatively appears from the complaint herein and from the Findings

of Fact of the District Court that appellee was and is a National Banking Association doing business in the Southern District of California, and therefore for purposes of federal jurisdiction considered to be the equivalent of a California corporation, and that appellant was and is a corporation organized and existing under and by virtue of the laws of New York, with a principal place of business in the Southern District of California. [Tr. p. 9.] The amount in controversy herein, exclusive of costs and interest, exceeded the sum of $3,000.00. [Tr. p. 9.] It is therefore believed that the jurisdiction of the District Court herein is conferred by Title 28, *United States Code,* Section 1332(1).

The final judgment of the District Court from which this appeal is taken was entered on June 14, 1951. [Tr. p. 10, Ex. B.] Appellant served and filed its Notice of Appeal therefrom on June 19, 1951. [Tr. p. 10, Ex. C.]

Statement of the Case.

Appellee was and is the mortgagee under a chattel mortgage dated October 2, 1944, which was executed by Pre-Em Pictures, Inc., a California corporation, to secure the repayment of certain loans and advances made to Pre-Em by appellee. The mortgage covered, among other items of personal property, all copyrights obtained and to be obtained on a motion picture photoplay based on a story entitled "A Song for Miss Julie." [Tr. p. 4.] The photoplay in question was one then to be produced by Pre-Em and released and distributed by appellant under the terms of a written agreement between appellant and William Rowland dated September 26, 1944, which agreement had

been assigned by Rowland to Pre-Em. The mortgage, together with a subsequent mortgage dated April 3, 1945, covering the same property, was recorded in the United States Copyright Office and in the Office of the Los Angeles County Recorder. [Tr. pp. 4-7.]

Subsequent to the production of the motion picture by Pre-Em and its release by appellant, Pre-Em defaulted in the repayment of the loans and advances secured by the mortgages, and on September 20, 1948, appellee filed an action against Pre-Em and others in the United States District Court for the Southern District of California, Central Division (hereinafter referred to as the "foreclosure action") seeking to foreclose the mortgages. [Tr. p. 7.] On August 13, 1949, the District Court in the foreclosure action entered a decree in favor of appellee (plaintiff in that action) foreclosing the mortgaged properties, which properties were sold at public auction by the United States Marshal to appellee on October 5, 1949. [Tr. p. 8.] A certified copy of the certificate of sale was recorded in both the Copyright Office and the Office of the Los Angeles County Recorder. [Tr. p. 8.]

There was concededly no diversity of citizenship in the foreclosure action, and the jurisdiction of the District Court therein was premised upon the theory that the action was brought within the provisions of Title 28, *United States Code,* Section 1338(a). The issue of jurisdiction was not raised or litigated in the foreclosure action. No appeal was taken and the decree has since become final.

Appellant herein, the distributor of the motion picture under its agreement with the mortgagor's assignor, refused to recognize the title or interest held by appellee in the motion picture, insofar as that title or interest derived from the purchase thereof at the foreclosure sale for the reason that, there being no diversity of citizenship in the foreclosure action, the District Court in that action lacked jurisdiction to decree the foreclosure of the mortgage or the sale of the mortgaged properties. [Tr. p. 8.] This action for declaratory relief was thereupon instituted.

The material facts in the present action as above summarized were not in dispute, the only disputed issue being whether, upon such facts, the District Court in the foreclosure action acted within its jurisdiction. The District Court in the present action found the facts herein to be substantially as hereinabove summarized and concluded therefrom that the court in the foreclosure action had jurisdiction to decree the foreclosure and sale under Title 28, *United States Code,* Section 1338(a). Judgment for appellee was ordered and entered accordingly. [Tr. p. 10.]

Specification of Error.

The District Court erred in holding that the foreclosure action arose under an Act of Congress relating to copyrights and was therefore within the jurisdiction of the United States District Court, notwithstanding the admitted lack of diversity of citizenship.

Summary of the Argument.

I.

The United States District Court is a court of limited, not general, jurisdiction. Its power to hear and decide a given case must be derived clearly and expressly from a given statute, or it does not exist.

II.

An action does not arise under an Act of Congress relating to patents or copyrights unless it requires a determination of the validity, construction or application of such an act. Section 1338(a) does not apply to cases in which a patent or copyright is only incidentally, albeit necessarily, involved in the determination of a primary non-federal question.

A. A controversy over a contract relating to the licensing, use or assignment of a patent or copyright, or over the title to a patent or copyright, is not a case "arising under" the patent or copyright laws.

B. A suit to foreclose a mortgage does not present a federal question. Nor is one created by reason of the fact that the property mortgaged is a copyright.

C. No Act of Congress makes an action to foreclose a mortgage on a copyright a subject of federal jurisdiction.

III.

Even if the claimed inadequacy or deficiency of the remedy available in the state court may be relied upon to read into Section 1338(a) the implication of federal jurisdiction, no such inadequacy or deficiency is inherent in the foreclosure decree of a state court.

ARGUMENT.

I.

The United States District Court Is a Court of Limited, Not General Jurisdiction. Its Power to Hear and Decide a Given Case Must Be Derived Clearly and Expressly From a Specific Statute, or It Does Not Exist.

No rule is better established in the field of federal jurisdiction than the rule that in any given case, a federal court is presumptively acting in excess of its jurisdiction. Federal jurisdiction is never presumed to exist; it must be affirmatively established by reference to express and unmistakable statutory mandate. [*Kline v. Burke Construction Co.,* 260 U. S. 226, 234; *Chicot Drainage District v. Baxter State Bank,* 308 U. S. 371, 376; *People ex rel. McColgan v. Bruce* (C. C. A. 9), 129 F. 2d 421, 423; *Credit Bureau of San Diego v. Petrasich* (C. C. A. 9), 97 F. 2d 65, 67.]

Federal jurisdiction does not arise by implication or inference from a statute under which Congress *might have* conferred jurisdiction, but did not do so expressly [*Detroit Trust Co. v. Steamer Thomas Barlum,* 293 U. S. 21, 33; *Emlenton Refining Co. v. Chambers* (C. C. A. 3), 14 F. 2d 104, 105], nor can it spring up *sua sponte* to fill any possible jurisdictional gap that may appear to have been created by the failure of Congress to make the grant of jurisdiction as broad as it might have been or by any real or fancied inadequacy of the remedy available in the state courts. [*Jordine v. Walling* (C. C. A. 3), 185 F. 2d 662, 667; *Richard H. Oswald Co. v. Leader* (E. D. Pa.), 20 Fed. Supp. 876, 877; *The Emma Giles* (D. C. Md.), 15 Fed. Supp. 502, 506-507.] Moreover, if there is any real doubt as to whether the statute

confers jurisdiction, that doubt is to be resolved against the jurisdiction of the federal court. [*The Emma Giles, supra,* 15 Fed. Supp. at 508.]

Occasional tendencies, such as that manifested in the present case, to enlarge federal jurisdiction by engrafting, upon the statute upon which reliance is placed, implications or inferences that are neither clearly nor necessarily raised by the statute itself have been emphatically condemned by the United States Supreme Court. As stated by Mr. Justice Reed in the most recent decision of the court on this subject, "The jurisdiction of the federal courts is carefully guarded against expansion by judicial interpretation." [*American Fire & Casualty Co. v. Finn,* 341 U. S. 6, 95 L. Ed. Adv. Ops. 473, 480; *Detroit Trust Co. v. Steamer Thomas Barlum,* 293 U. S. 21, 32.] If federal jurisdiction is not expressly conferred by statute, neither equity nor necessity nor judicial interpretation can create it.

Manifestly, therefore, the problem presented by this appeal is not whether Congress could have provided for federal jurisdiction of actions to foreclose mortgages of copyrights, nor whether it should have, nor yet whether practical considerations would make the federal courts a better forum for such actions. These considerations are totally irrelevant. The sole problem here presented is whether such jurisdiction has in fact been conferred by any express provision of any federal statute.

Concededly, the *only* statute under which such jurisdiction can possibly be said to exist is Title 28, *United States Code,* Section 1338(a):

> "The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights or trade-marks.

Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases."

Unless it can be said, without the aid of implication, inference or judicial "interpretation," that the foreclosure of a mortgage is such an action, the district court had no jurisdiction of the foreclosure action, and the judgment herein must be reversed.

II.

An Action Does Not Arise Under an Act of Congress Relating to Patents or Copyrights Unless It Requires a Determination of the Validity, Construction or Application of Such an Act. Section 1338(a) Does Not Apply to Cases in Which a Patent or Copyright Is Only Incidentally, Albeit Necessarily, Involved in the Determination of a Primary Non-Federal Question.

A. A Controversy Over a Contract Relating to the Licensing, Use, or Assignment of a Patent or Copyright, or Over the Title to a Patent or Copyright, Is Not a Case "Arising Under" the Patent or Copyright Laws.

The principles governing the determination of whether an action comes within the provisions of Section 1338(a) are precisely the same as those governing the determination whether a controversy presents a "federal question" under Title 28, *United States Code,* Section 1331.[1] Whether an action is claimed to arise under "any Act of Congress relating to . . . copyrights" [Section 1338(a)] or under "the Constitution, laws and treaties

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[1]"The district courts shall have original jurisdiction of *all civil actions* wherein the matter in controversy exceeds the sum or value of $3,000, exclusive of interest and costs, and *arises under the Constitution, laws and treaties of the United States.*" (Italics ours.)

of the United States" [Section 1331], this rule is well established:

> "A suit to enforce a right which takes its origin in the laws of the United States is not necessarily or for that reason alone, one arising under those laws, for *a suit does not so arise unless it really and substantially involves a dispute or controversy respecting the validity, construction or effect of such a law, upon the determination of which the result depends.*" [*Shulthis v. McDougal,* 225 U. S. 561, 569; *Teague v. Brotherhood of Locomotive Firemen* (C. C. A. 6), 127 F. 2d 53, 55. Italics ours.]

Based upon this principle, it has been repeatedly held that Section 1338(a) creates federal jurisdiction wherever the validity or infringement of a patent or copyright is the primary issue, but that such jurisdiction does not arise in cases involving rights or interests in or relating to patents or copyrights, merely because of the fortuitous circumstance that a patent or copyright is the subject-matter in which such rights or interest are asserted. A federal court consequently has no jurisdiction of a suit for royalties arising out of a contract for the sale of a patent or copyright [*Danks v. Gordon* (C. C. A. 2), 272 Fed. 821, 827; *Teas v. Albright* (D. N. J.), 13 Fed. 406, 411; *Leaver v. Parker* (C. C. A. 9), 121 F. 2d 737, 739; *MacGregor v. Westinghouse Elec. & Mfg. Co.* (W. D. Pa.), 45 Fed. Supp. 236, 238; *Routh v. Boyd* (D. Ind.), 51 Fed. 821, 823], or a suit to compel the assignment of a patent or copyright pursuant to a contract, or to compel the reassignment thereof under a contractual provision for forfeiture, or a suit to cause execution upon a patent or copyright [*Pratt v. Paris Gas Light & Coke Co.,* 168 U. S. 255, 259; *Meredith v. Smith* (C. C. A. 9),

145 F. 2d 620; *Ryan v. Lee* (E. D. Mo.), 10 Fed. 917, 918; *Wells v. Universal Pictures Co.* (C. C. A. 2), 166 F. 2d 690, 691; *Lion Mfg. Co. v. Chicago Flexible Shaft Co.* (C. C. A. 7), 106 F. 2d 930, 932, 933; *Scribner v. Straus,* 210 U. S. 352, 354, 355; *Becher v. Contoure Laboratories,* 279 U. S. 388, 391; *American Well Works v. Layne,* 241 U. S. 257, 259, 260].

Similarly, suits which have for their primary objective the determination of title to a patent or copyright are outside the jurisdiction of the federal court. Such questions, like those above referred to, involve questions of the application of state law which is not affected by the fact that the subject-matter of the suit is a property right created by federal statute rather than by common law, equity or state statute. The origin of the property is of no significance in determining jurisdiction to try cases involving rights in that property. [*Luckett v. Delpark,* 270 U. S. 496, 504, 511; *Laning v. Natl. Ribbon & Carbon Paper Mfg. Co.* (C. C. A. 7), 125 F. 2d 565, 566-567; *Hold Stitch Fabric Mach. Co. v. May Hosiery Mills,* 184 Tenn. 19, 195 S. W. 2d 18, 21, *and cases cited therein.*]

It is abundantly clear from the foregoing decisions that unless the validity or infringement of the copyright or patent is directly and primarily called into question, no federal jurisdiction arises under Section 1338(a), notwithstanding that in each of these cases, control and ownership of the copyright or patent or of interests therein was the ultimate objective of the litigants. [See also, *Parissi v. General Electric Co.* (N. D. N. Y.), 97 Fed. Supp. 333.] As the United States Supreme Court held in respect to an analogous situation, "Federal jurisdiction may be invoked to vindicate a right or privilege

claimed under a federal statute. It may not be invoked where the right asserted is non-federal, merely because the plaintiff's right to sue is derived from federal law, or because the property involved was obtained under federal statute. . . . The case is analogous to those involving rights to land granted under laws or treaties of the United States. Where the complaint shows only that such was the source of the plaintiff's title, the case is not one within the jurisdiction of the federal courts." [*Puerto Rico v. Russell & Company,* 288 U. S. 476, 483-484 (per Stone, J.); *Gully v. First National Bank,* 299 U. S. 109, 112-113, 114, 118; *Barnhart v. Western Maryland Ry. Co.* (C. C. A. 4), 128 F. 2d 709, 713-714; *Schatte v. I. A. T. S. E.* (S. D. Cal.), 70 Fed. Supp. 1008, 1011.] Clearly, therefore, there must be something more than the mere fact that the existence of a copyright is at the heart of the action to justify the assumption of jurisdiction by a district court.

B. A Suit to Foreclose a Mortgage Does Not Present a Federal Question. Nor Is One Created by Reason of the Fact That the Property Mortgaged Is a Copyright.

We have noted that suits respecting the enforcement of contracts relating to patents and copyrights and suits respecting the determination and transfer of title thereto are within the exclusive cognizance of the state courts, absent diversity of citizenship. There appears to be scant justification for the application of a different rule to a chattel mortgage, which is simply a specialized form of contract [*Calif. Civil Code,* Section 2920], or to an action seeking foreclosure thereof, which is simply a means of effecting a determination and transfer of title to the mortgaged property. The right of which enforcement is sought, and the means of its enforcement, are governed

by applicable provisions of state law. Questions of form, validity, acknowledgment, foreclosure, and sale under a decree therefor, are matters clearly within the province of state statutes. Certainly a state court would be the competent, proper and exclusive forum for a suit between citizens of that state to foreclose a chattel mortgage upon household furniture or growing crops, or any other items of personal property. Why is it ousted of jurisdiction to enforce the laws of the state by the fortuitous circumstance that the mortgaged property is a patent or copyright, rather than a house full of furniture?

Case authority upon so obvious a point is not totally wanting. In *Keiper v. Amico,* 174 Misc. 211, 20 N. Y. S. 2d 480, 481, an action to foreclose a chattel mortgage upon a patent, the court stated [italics ours]:

> "The contention that the federal courts have exclusive jurisdiction of the action on the ground that it involves a patent is untenable. This is an action to foreclose a mortgage on a patent and does not involve its validity. Both parties here concede that the patent is valid, and *the action arises under the mortgage and not under the federal patent law.*"

It has been suggested by appellee that the *Keiper* case does not constitute a determination of want of jurisdiction in the federal court, but is merely a decision that state courts have jurisdiction *concurrent* with that of the United States District Courts. This argument cannot be sustained. If the federal courts have jurisdiction at all, they must acquire it under Section 1338(a) and it is there provided that such jurisdiction shall be *exclusive.* Conversely, if the state court has *any* jurisdiction, the case is not one under Section 1338(a) and the federal court therefore has *no* jurisdiction.

Although the *Keiper* case is the only one dealing directly with the matter at issue in the present case, the federal courts have reached the same result in cases which cannot be substantially distinguished from the present case. In *Dorf v. Denton* (S. D. N. Y.), 17 Fed. Supp. 531, 533, the court held that a state court decision that the execution of a chattel mortgage on a copyright was in fraud of creditors was *res judicata,* stating that the state court had exclusive jurisdiction to determine the validity of such a mortgage. In *Wilson v. Sandford,* 51 U. S. (10 How.) 99, 101-102, the United States Supreme Court, in a case in which a patentee had sold his patent in exchange for promissory notes carrying a provision for forfeiture of the patent in the event of nonpayment of the notes, held that the federal court had no jurisdiction of an action to compel such a forfeiture. The rule of the *Wilson* case was approved and applied in *Luckett v. Delpark,* 270 U. S. 496, 504, 511, in which case plaintiff had sued in federal court to compel a reassignment to him of a patent under the terms of the initial assignment by which he retained a reversionary interest upon failure of stated conditions subsequent. The Supreme Court held that the federal court had no jurisdiction, stating that there, *as in all actions to foreclose rights in a patent or copyright,* the action arose under the contract providing therefor and not under patent or copyright law.

A similar situation that in legal purport and effect cannot be distinguished from that presented by this appeal has frequently arisen in the United States Supreme Court with respect to ship mortgages. By express provisions of both the United States Constitution and Act of Congress, the federal courts are given original and exclusive

jurisdiction of all cases in admiralty. [*U. S. Const.*, Art. III, Section 2; Title 28, *United States Code,* Section 1333.] Concededly, the admiralty jurisdiction of the United States District Courts is at least as broad and inclusive as that conferred by Section 1338(a). If appellee's contentions and the decision of the trial court herein are sound, it would follow by necessary analogy that a district court sitting in admiralty would have exclusive jurisdiction of a libel to foreclose a mortgage on a ship. *Such, however, is most emphatically not the case.* In point of fact, in innumerable decisions prior to 1920, the federal courts have uniformly held that a libel in admiralty to foreclose a ship mortgage presented no action of which a federal court might take jurisdiction! [*Detroit Trust Co. v. Steamer Thomas Barlum,* 293 U. S. 21, 32 *and cases cited therein; The J. E. Rumbell,* 148 U. S. 1, 15; *Bogart v. The Steamboat John Jay,* 58 U. S. (17 How.) 399, 401-402.]

The reasons assigned by the court for so holding are significantly similar to those given in the decisions heretofore cited [Point II, A *supra*] for the proposition that actions involving contracts or assignments of copyrights and patents are not matters of federal jurisdiction, viz., that the subject matter of the suit was not the ship or its operation which were subjects of admiralty jurisdiction, but rather the mortgage which was not, and federal jurisdiction was not created by reason of the fortuitous circumstance that the ultimate result of the suit would be the transfer of possession and/or ownership of the vessel. As the court succinctly stated in *Bogart v. The Steamboat John Jay, supra,* 58 U. S. at 401-402:

> ". . . whether a mortgage is foreclosed, whether a mortgagee has a right to take possession of a

> chattel personal, whether he is the legal or the equitable owner, and whether a right of redemption means that a mortgagee is restrained from selling in repayment of his debt till after the time specified for the redemption is passed, the decision of these questions belongs to other courts; they are not within the jurisdiction or province of the courts of admiralty."

Since such questions may not be decided by a federal court in the exercise of its jurisdiction in admiralty, in the absence of a specific enabling statute, there appears scant justification for holding that the same questions may be so decided by the court in the exercise of its copyright or patent jurisdiction.

The need for such an enabling statute was recognized by Congress in the enactment of the Ship Mortgage Act of 1920, an elaborate and detailed statute prescribing the only conditions under which the federal courts might obtain jurisdiction of an action to foreclose a ship mortgage.[2] [See *Detroit Trust Co. v. Steamer Thomas Barlum, supra,* 293 U. S. at 32-37.] There is no question of the power of Congress to confer jurisdiction on the federal courts in the foreclosure of a copyright mortgage, just as it did with respect to ships in the Ship Mortgage Act of 1920. Its failure to do so in no wise justifies the courts in acting in its stead.

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[2]It is likewise significant that a ship mortgage which fails in any particular to conform to the provisions of the statute, although otherwise perfectly valid, does not come within the grant of federal jurisdiction and must be foreclosed in the state court. [*Detroit Trust Co. v. Steamer Thomas Barlum, supra,* 293 U. S. at 33; *The Emma Giles* (D. C. Md.), 15 Fed. Supp. 502, 508.] In the latter case the court stated that it "reluctantly" reached the conclusion that it lacked jurisdiction since Congress had failed to make the Act wholly effective, but that it could not supply the deficiency by judicial "interpretation," and that it could not "thereby create for itself a jurisdiction which does not otherwise exist." [*The Emma Giles, supra,* at page 508.]

C. No Act of Congress Makes an Action to Foreclose a Mortgage on a Copyright a Subject of Federal Jurisdiction.

From the discussion hereinabove set forth, it cannot be disputed that, in the absence of some provision of the copyright statute or Judicial Code expressly making mortgages of copyrights a subject of federal jurisdiction, that jurisdiction does not exist. The trial court, however, purports to find such a statute in Title 17, *United States Code,* Section 28, which provides:

> "Copyright secured under this title or previous copyright laws of the United States may be assigned, granted, or mortgaged by an instrument in writing signed by the proprietor of the copyright, or may be bequeathed by will."

It is argued that by reason of this statute the right to mortgage a copyright is a federal right existing only by virtue of federal statute, and therefore that an action to enforce that right arises under an Act of Congress relating to copyrights within the meaning of Section 1338(a). [97 Fed. Supp. at 364.]

This ruling is erroneous. A mere comparison of the provisions of Section 28 with those of the Ship Mortgage Act of 1920 [Point II, B, *supra*] demonstrates that the intention of Congress was not to create a federal "right to mortgage the copyright" [97 Fed. Supp. at 364], but was simply to permit the mortgaging of a copyright, just as, in the same sentence, it permitted the assignment, grant or bequest of a copyright. It is well settled that "a suit . . . does not arise under an Act of Congress or the Constitution of the United States because prohibited thereby. . . . *With no greater reason can it be said*

to arise thereunder because permitted thereby." [Cardozo, J., in *Gully v. First National Bank,* 229 U. S. 109, 116. Italics ours.]

The provisions of Section 28 are merely permissive, not definitive; they make no provision for the enforcement of such mortgages, nor for their foreclosure or sale of the mortgaged property, nor do they prescribe the requisites of form and validity. The same provision permits *in exactly the same terms and context* the assignment, grant, and bequest of copyrights, yet it has been expressly and uniformly held that assignment, grant and bequest are not federal rights the enforcement of which can be the subject of federal jurisdiction. [See cases cited, Point II, A, *supra.*] There is no justification for the singular holding that the specification of mortgages in common with bequests, grants and assignments in Section 28, makes that right alone, but none of the others, one cognizable in the federal courts.[3]

The decisions prior to 1920 with respect to ship mortgages likewise present controlling precedent adverse to the holding of the trial court that Section 28 makes the

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[3]It is intimated by the trial court that the statute is more than merely permissive, that it actually creates a right not theretofore in existence, and that the mortgaging of a copyright is therefore a federal right. It will be noted, however, that chattel mortgages were recognized at common law and exist *except as limited* by statute. At common law, the owner of literary property had all rights therein, including the right to mortgage his interest, as those possessed by the owner of any other personal property. [*Ball, Law of Copyright and Literary Property,* sec. 216, p. 474; 18 *C. J. S., Copyright and Literary Property,* sec. 4, p. 140.]

Secondly, in the companion field of patent law, without the benefit of a statute such as Section 28, chattel mortgages of patents have repeatedly been upheld by the courts. Why should it be deemed necessary to create chattel mortgages as applied to copyrights but not as applied to patents?

right to mortgage a copyright a subject of federal jurisdiction. In *The J. E. Rumbell,* 148 U. S. 1, 15-16, the appellees relied in support of their claim of federal jurisdiction upon a federal statute [Act of July 29, 1850, ch. 27, sec. 1, Rev. Stat., sec. 4192] which provided that a mortgage or hypothecation of a vessel or any part thereof, to be valid as against third parties, must be recorded in the office of the collector of customs where such vessel was registered and enrolled. It was argued, much as it is here argued, that that statute made a mortgage recorded thereunder a subject of federal cognizance and a libel to foreclose such a mortgage an action within the admiralty jurisdiction of the federal court. The court, however, held that the statute was merely a permissive registry or recordation provision, that it did not create a right to mortgage, which right existed independent of federal law, and that federal jurisdiction was not created thereby. Manifestly if, as the Supreme Court held, that statute did not bring the mortgages it covered within the cognizance of the federal courts, neither does Section 28.

The foreclosure action which is the subject of this case involved no question of the validity or infringement of the copyright, or of the application of a federal statute, nor did it present any dispute with reference to any alleged federal right. The only questions which might have been presented—such as the rights of sale or redemption, form and validity, or rights of possession—were questions whose decision is not prescribed by any federal statute, but must be made with reference to applicable state law. There is consequently no basis for a decision that the foreclosure action presented a federal question within the meaning of Section 1331 or Section 1338(a).

III.

Even if the Claimed Inadequacy or Deficiency of the Remedy Available in the State Courts May Be Relied Upon to Read Into Section 1338(a) the Implication of Federal Jurisdiction, No Such inadequacy or Deficiency Is Inherent in the Foreclosure Decree of a State Court.

The opinion of the trial court under the heading "The Inadequacy of State Remedies" attempts to support the jurisdiction of the District Court in the foreclosure action by what it conceives to be the deficiencies in the state court process for such foreclosure. [97 Fed. Supp. at 367-369.] The asserted deficiencies are apparently two in number:

1. An action to foreclose a mortgage is an action *in rem,* the *res* being the copyright. But since the *res* does not have a *situs* in any particular state, no state court has the power to deal with and determine rights therein.
2. The decree of the state court, for reasons outlined above, could not transfer merchantable title to the copyright co-extensive with the territorial limits of the United States.

We have already seen that federal jurisdiction in a given case must be affirmatively established upon the strength of the statutory provision that assertedly creates it, not won by default upon the claimed weakness of the state court remedy or process. The asserted need may well be considered by *Congress* in the creation of jurisdiction by *statute;* neither such need nor any other factor justifies a *court* in creating jurisdiction by *"interpretation"* where such jurisdiction is not clearly conferred by

the statute under construction. *"The jurisdiction of the federal courts is carefully guarded against expansion by judicial interpretation."* [*American Fire & Casualty Co. v. Finn,* 341 U. S. 6, 95 L. Ed. Adv. Op. 473, 480; *The Emma Giles* (D. C. Md.), 15 Fed. Supp. 502, 508. Italics ours.]

Moreover, the argument is defective in that it proves too much. If, as the trial court has held, personal service upon all parties within the state is insufficient to confer jurisdiction upon the state court, then federal jurisdiction is similarly lacking for precisely the same reason. If, as the trial court has held, the copyright has no *"situs"* within the state, *then it is just as true that it has no "situs" within a district in that state so as to confer jurisdiction on a federal court sitting in that district!* If "situs" is a *sina qua non* to jurisdiction in the present case, then the requirement is a double-edged sword which cuts as deeply into the jurisdiction of the federal courts as it does into the jurisdiction of the courts of the states. A *res* that is not present within the boundaries of the state is *a fortiori* not present within the boundaries of a district within the state.

Nor is the trial court's hypothesis to be salvaged by any suggestion that *"situs"* is a requirement of state, but not of federal, jurisdiction. In point of fact, the *"situs"* of an intangible is material, if at all, *only* under the federal statutes. In cases in which personal service is insufficient to confer jurisdiction (and we accept, for purpose of this discussion only, the trial court's assumption that this is such a case), the federal courts have *only* such jurisdiction as is conferred upon them by Title 28, *United States Code,* Section 1655. [*McDowell v. Davies* (E. D. Wash.), 96 Fed. Supp. 301, 302; 3 *Moore's Federal*

Practice, Sec. 64.03, p. 3311.] Presumably, since the trial court treats the foreclosure action as one *in rem* in which personal service alone does not confer jurisdiction, that jurisdiction is conferred by Section 1655. But a federal court has jurisdiction under Section 1655 *only* when the subject-matter of the litigation is "real or personal property within the district" in which that court sits. *Since, ex hypothesi, the copyright is not within the State of California so as to give the state court jurisdiction, it necessarily and inevitably follows that it is not within the Southern District of California so as to confer jurisdiction upon the federal courts of that district!* The federal courts consequently have expressly so held in cases involving the determination of rights in patents. [*Kohagen v. Harwood* (C. C. A. 7), 185 F. 2d 276, 278; *Standard Gas Power Co. v. Standard Gas Power Co.* (N. D. Ga.), 224 Fed. 990, 992.]

Manifestly, under the trial court's assumption that *"situs"* of a copyright is essential to jurisdiction over it and that a copyright has no *"situs"* within the territorial limits of any state, jurisdiction over it exists in *neither* the federal *nor* the state courts; in fact, it does not exist at all. Consequently, one of the two elements of that assumption is necessarily erroneous. Either the *"situs"* of a copyright is irrelevant and personal service within the jurisdiction is sufficient to confer power to act, or a copyright *does* have a territorial *"situs"* and the courts of the jurisdiction within which that *"situs"* exists have the power to act. If *"situs"* is irrelevant, then personal service confers jurisdiction upon the courts of the state in which personal service is made. If *"situs"* is relevant and the copyright has a territorial *"situs"* somewhere, then the courts of the state in which that *"situs"* exists

have jurisdiction to determine rights in the copyright. In either case, the trial court's hypothesis fails completely to establish, but rather negatives, the conclusion that this action is one of which the state courts do not have jurisdiction.

In point of fact, however, *"situs"* of a copyright does not exist and the concept is totally irrelevant to the jurisdiction of a state court to determine rights in that copyright.

The very real problems of jurisdiction cannot be solved, nor can their solution in any manner be aided by recitation of the outmoded and discredited concept that intangible personal property may be said to have or not to have a *"situs"* within the territorial limits of a particular state. The fiction of *"situs"* of intangibles as a jurisdictional concept has not survived the decision of the United States Supreme Court in *Curry v. McCanless,* 307 U. S. 357, and it no longer has any relevance with respect to the determination whether a particular state has jurisdiction to act upon rights in intangibles. [See *Graves v. Elliott,* 307 U. S. 383, 386; *Estate of Newton,* 35 Cal. 2d 830, 841-842, 221 P. 2d 952, 958-959, and *cases cited therein.*] The controlling element in the jurisdiction of a state court over an intangible is not the "situs" thereof, since it has none, but the amenability to service of persons having interests therein. [*Standard Oil Co. v. New Jersey,* 341 U. S. ...., 95 L. Ed. Adv. Op. 755, 762.] Intangible personal property has no *"situs."*

> ". . . intangibles . . . are but relationships between persons, natural or corporate, which the law recognizes by attaching to them certain sanctions enforceable in courts. The power of government over them and the protection which it gives them

> cannot be exerted through control of a physical thing. They can be made effective only through control over and protection afforded to those persons whose relationships are the origin of the rights. . . . Obviously, as sources of actual or potential wealth . . . they cannot be disassociated from the persons from whose relationships they are derived." [Stone, C. J., in *Curry v. McCanless,* 307 U. S. 357, 365-366.]

Concededly, the courts of the State of California would have personal jurisdiction over the only parties from whose relationships the rights sought to be asserted herein are derived. Both mortgagee and mortgagor in the foreclosure action were citizens of California, amenable to process within the state. A state court decree would be completely effective to transfer title of the property involved from one to the other, without any reference to *"situs"* or the lack thereof.

In this respect, this appeal is controlled by the recent (May 28, 1951) decision of the United States Supreme Court in *Standard Oil Co. v. New Jersey,* 341 U. S. ...., 95 L. Ed. Adv. Op. 755. In that case, the State of New Jersey sought to escheat to itself uncollected dividends and shares of stock of appellant corporation. Appellant asserted that the judgment of escheat rendered by the New Jersey State court violated the due process clause of the Fourteenth Amendment in that the court had no jurisdiction of the action for the reason that the escheated intangibles had no *"situs"* within the territorial limits of New Jersey. The court, in language particularly applicable to this appeal, rejected that contention and held that personal service upon appellant was sufficient to give the state court jurisdiction to escheat the intangibles, ir-

respective of any problems of *"situs,"* stating [95 L. Ed. Adv. Op. at 762-763; italics ours]:

> "We see no reason to doubt that where the debtor and creditor are within the jurisdiction of a court, that court has constitutional power to deal with the debt. Since choses in action have no spatial or tangible existence, control over them can 'only arise from control or power over the persons whose relationships are the source of the rights and obligations' . . . *Situs of an intangible is fictional but control over parties whose judicially coerced action can make effective rights created by the chose in action enables the court with such control to dispose of the rights of the parties to the intangible.* Since such power exists through the state's jurisdiction of the parties whose dealings have created the chose in action, we need not rely on the concept that the asset represented by the certificate or dividend is where the obligor is found. The rights of the owner of the stock and dividends come within the reach of the court by the notice, *i. e.,* service by publication; the rights of the appellant by personal service. . . . This gives New Jersey jurisdiction to act."

The above-cited case also fully and completely refutes the conclusion of the trial court that, if the mortgagee were limited to a state court decree of foreclosure and sale, it "would be deprived of the opportunity of having an adjudication which would determine, for all time, and for all jurisdictions, the rights to the property." [97 Fed. Supp. at 369.]

Such a ruling cannot be supported. It completely ignores and fails to give any effect whatever to the provisions of the Full Faith and Credit Clause of the United States Constitution, which gives such state court decree binding and conclusive effect in all jurisdictions for all purposes. It was similarly contended in the *Standard Oil Co.* case that the New Jersey court lacked jurisdiction to escheat intangibles for the reason that the decision would not finally determine all rights therein which might be asserted in the courts of other jurisdictions. The court rejected that contention, stating specifically that the New Jersey decree was by reason of the Full Faith and Credit clause binding upon the courts of all other jurisdictions and barred any further action in any other jurisdiction with respect to the ownership of the same intangibles. [*Standard Oil Co. v. New Jersey,* 95 L. Ed. Adv. Op. at 764; *Harris v. Balk,* 198 U. S. 215, 226.]

By the same reasoning it is clear that, a state court having acquired jurisdiction to deal with the mortgaged property by virtue of personal service of mortgagor and mortgagee and having entered a decree of foreclosure and sale of the mortgaged property, ordering the mortgagor to deliver said property for such sale, that decree would be valid and effective for all purposes throughout the United States. The decree would be beyond any doubt a conclusive "adjudication which would determine, for all time, and for all jurisdictions, the rights to the property." [97 Fed. Supp. at 369.]

Conclusion.

The solution of the problem presented by this appeal is not aided by consideration of the technical niceties of copyright law or by abstract reflection on the nature of the copyright. The issue is one of mortgages and jurisdiction, not of copyrights, and it is useless to proceed upon any other assumption. A mortgage is sought to be foreclosed as between citizens of the same state, all within the jurisdiction and amenable to the process of the state court. The fact that the mortgaged property is a copyright, rather than an automobile or a kitchen stove, is a purely fortuitous, almost totally irrelevant, circumstance. The abstract nature of a copyright is no more material to this inquiry than the abstract nature of a kitchen stove. The solution of the problem rests upon the interpretation of a concrete federal statute in the light of concrete principles of federal jurisdiction. Under that statute and upon those principles, the conclusion is inescapable that the jurisdiction to foreclose the mortgage here in question is vested exclusively in the state courts. For that reason, the judgment should be and, we feel, will be reversed.

Respectfully submitted,

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